

ORIGINAL

Decision No. 47000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Establishment)
of rates, rules, classifications and)
regulations for the transportation of)
property within the City and County)
of San Francisco.)

Case No. 4084

Appearances

Edward M. Berol and Russell Bevans, for Draymen's Association of San Francisco, petitioner.
Daniel W. Baker, E. L. Carley, Jr., J. A. Clark, Jr., John H. Hannigan, A. G. Harris, S. M. Haslett, Henry F. Hiller, C. A. Hutchinson, Jr., John H. Kemp, Jr., Bruno Malucchi, F. A. Mosebach, George T. Patton, Harry Polland, Richard Prosser, Frank Reed, Joseph Robertson, A. W. Savage, Harry J. Scherer, Walter H. Schroeder, Lawrence E. Spence, Charles Stoddard and Matthew Tobriner, for various carriers, carrier organizations and interested parties.
Quentin W. Bernhard, L. E. Binsacca, Stanley T. R. Bush, E. R. Chapman, W. M. Cheatham, Glenn T. Gleason, Theodore J. Label, Walter A. Rohde and James L. Roney, for various shippers and shipper organizations, interested parties.
Grant L. Malquist, for Engineering Section, Transportation Division, Public Utilities Commission.

SUPPLEMENTAL OPINION

By Decision No. 47000 of April 14, 1952, the Commission authorized, effective May 15, 1952, an interim increase of 12 percent in the minimum rates and charges established for transportation within San Francisco (City Carriers' Tariff No. 1-A).

In authorizing this increase the Commission found that the rate adjustment was necessary to permit the carriers, as a group, to meet increases in the cost of operation and to provide a sufficient margin between revenues and expenses to enable the carriers to maintain an adequate and efficient service. The record made in the above proceeding did not show conclusively the extent to which the

then present rates were deficient as minimum rates. This increase was, therefore, authorized only as a temporary, or interim measure, pending an investigation of the reasonableness of the rates, rules and regulations of all city carriers engaged in the transportation of property within San Francisco.¹ Meanwhile, the Association, by petition filed September 19, 1952, seeks an additional 10 percent increase in the minimum drayage rates. Allegedly it is sought to offset increased costs arising from further wage demands.²

Public hearings were held on October 21 and 23, 1952, before Examiner Lake at San Francisco. Evidence was offered by petitioner, by a certified public accountant, and by certain carrier witnesses. Representatives of the labor union, with which the employees are affiliated, testified concerning wage negotiations. Shipper witnesses participated in the development of the record but did not offer evidence. No one opposed the granting of petitioner's request.

According to the record, wage rates for drivers and helpers were increased 50 cents per day effective November 1, 1952. In addition, these employees were accorded a health and welfare plan at a cost to the draymen of \$10.40 per man per month.

The wage and welfare fund adjustments were the result of regularly pursued collective bargaining procedures. Petitioner's secretary testified that unless these wage demands were met the draymen would be confronted with a work stoppage. This testimony was corroborated by the secretary of the employees' union.

¹ The 12 percent increase is scheduled to expire May 15, 1953.

² In the 12-percent adjustment, Decision No. 47000, supra, petitioner did not seek an increase in the rates for handling pool shipments, in the monthly vehicle unit rates nor in the rates for shipments weighing 25 pounds or less. It now seeks a 10 percent increase in all rates.

Petitioner alleges that the financial condition of the draymen, as a group, is such that they cannot meet the additional cost of labor under present rates and continue to survive, nor could the draymen face a prolonged work stoppage without becoming bankrupt. The testimony also shows that since the May 15, 1952 interim increase machinists and garage service employees received wage increases amounting to \$5.50 and \$5.00 per week, respectively. In addition, increased costs were experienced in connection with the health and welfare funds for this group of employees.

The certified public accountant, retained by petitioner, introduced a series of exhibits showing operating results of 32 San Francisco draymen for the period January 1 to August 31, 1952.³ For the period studied the carriers' aggregate revenues and expenses were \$5,127,656 and \$5,132,631, respectively. As a group they experienced an operating ratio of 100.79 percent after provision for income taxes. These results do not reflect for the entire period minimum rate increases effective in May and June 1952, nor do they reflect all of the increased costs of operations which were experienced during this period.⁴ For the months of July and August, during which time the increased rates and added labor costs for the service employees were in effect, the studies indicate an operating ratio of 99.53 percent after provision for income taxes.⁵ To give effect, during the 8-month period under the present rates, to the higher costs of operations including the November 1, 1952 wage adjustments

³ The carriers also perform other for-hire services such as performing pickup and delivery for common carriers and handling transbay and other traffic:

⁴ In addition to the 12 percent increase in the San Francisco drayage rates, the East Bay drayage rates were increased 12 percent effective June 24, 1952, and the over-the-road (Highway Carriers' Tariff No.2) rates were increased 9 percent effective June 24, 1952.

⁵ A two-month study in a proceeding of this nature is far too short a period upon which may be judged the propriety of the rates in issue.

the operating results of the carriers were adjusted accordingly. The results under these adjustments are set forth in the following table:

TABLE NO. 1

Statement Showing Operating Results for the Period January 1, 1952 to August 31, 1953, under Present Rates and After Giving Effect to Increased Costs of Operation

Carrier No.	Revenues	Expenses	Net Profit or (Loss) Before Income Taxes	Operating Ratio Before Income Taxes	Net Profit or (Loss) After Income Taxes	Operating Ratio After Income Taxes
1	\$ 20,512.63	\$ 22,720.21	\$(2,207.58)	110.76	\$(2,207.58)	110.76
2	102,944.76	97,595.07	5,349.69	94.80	3,594.99	96.51
3	35,978.46	33,420.46	2,498.00	93.06	1,678.66	95.33
4	32,248.37	34,841.99	(2,593.62)	108.04	(2,593.62)	108.04
5	14,183.54	14,381.51	(197.97)	101.40	(197.97)	101.40
6	21,222.38	27,272.85	(6,050.47)	128.51	(6,050.47)	128.51
7	33,283.00	32,659.46	623.54	98.31	419.02	98.74
8	126,868.24	111,454.32	15,413.92	87.85	10,358.15	91.84
9	49,302.25	45,364.27	3,937.98	92.01	2,646.32	94.63
11	41,639.67	39,256.43	2,383.24	94.28	1,601.54	96.15
12	657,500.78	663,738.92	(6,238.14)	100.95	(6,238.14)	100.95
14	375,050.91	377,501.21	(2,450.30)	100.65	(2,450.30)	100.65
15	132,380.73	128,460.51	3,920.22	97.04	2,634.39	98.01
16	130,812.27	128,672.90	2,139.37	98.36	1,437.66	98.90
17	392,021.57	419,273.61	(27,252.04)	106.95	(27,252.04)	106.95
18	22,933.84	22,579.69	354.15	98.46	237.99	98.96
20	883,255.06	848,977.79	34,277.27	96.12	19,314.96	97.81
22	323,876.99	303,537.99	20,339.00	93.72	12,892.21	96.02
23	112,973.74	105,753.67	7,220.07	93.61	4,851.89	95.71
24	245,509.32	252,495.30	(6,985.98)	102.85	(6,985.98)	102.85
25	224,687.09	235,211.97	(10,524.88)	104.68	(10,524.88)	104.68
26	109,072.82	106,808.99	2,263.83	97.92	1,521.29	98.61
27	71,758.70	69,847.48	1,911.22	97.34	1,284.34	98.21
28	73,788.36	61,878.60	11,909.76	83.86	8,003.36	89.15
29	377,483.12	374,990.39	2,492.73	99.34	1,675.11	99.56
31	540,315.35	545,276.54	(4,961.19)	100.92	(4,961.19)	100.92
32	36,356.65	30,544.96	5,811.69	84.01	3,905.46	89.26
33	39,157.13	38,079.60	1,077.53	97.25	724.10	98.15
34	36,252.62	31,501.36	4,751.26	86.89	3,192.85	91.19
35	41,339.24	43,560.19	(2,220.95)	105.37	(2,220.95)	105.37
36	38,133.56	32,853.46	5,280.10	86.15	3,548.23	90.70
37	30,571.16	31,539.79	(968.63)	103.17	(968.63)	103.17
TOTALS	<u>\$5,373,114.31</u>	<u>\$5,312,111.49</u>	<u>\$61,302.82</u>	<u>98.86</u>	<u>\$12,870.77</u>	<u>99.76</u>

To show what the carrier's financial position would be under the proposed 10 percent increase in the minimum drayage rates the witness submitted a statement showing, for the same period, the estimated operating results of the 32 carriers studied. These results are set forth in Table No. 2 below:

TABLE NO. 2

Statement showing what the operating results would have been for the period January 1, 1952 to August 31, 1953, under the proposed rates and higher costs of operation

Carrier No.	Revenues	Expenses	Net Profit or (Loss) Before Income Taxes	Operating Ratio Before Income Taxes	Net Profit or (Loss) After Income Taxes	Operating Ratio After Income Taxes
1	\$ 22,385.64	\$ 22,720.21	\$ (334.57)	101.49	\$ (334.57)	101.49
2	112,172.78	97,595.07	14,577.71	87.01	9,796.22	91.27
3	39,127.16	33,420.46	5,646.70	85.57	3,794.58	90.30
4	34,984.91	34,841.99	142.92	99.59	96.04	99.73
5	15,450.13	14,381.51	1,068.62	93.08	718.11	95.35
6	23,118.55	27,272.85	(4,154.30)	117.97	(4,154.30)	117.97
7	35,070.23	32,659.46	2,410.77	93.13	1,620.04	95.38
8	135,906.58	111,454.32	24,452.26	82.01	14,787.60	89.12
9	53,813.55	45,364.27	8,449.28	84.30	5,677.92	89.15
11	45,500.06	39,256.43	6,243.63	86.28	4,195.72	90.78
12	706,961.12	663,738.92	43,222.20	93.89	23,436.79	96.69
14	393,034.22	377,501.21	15,583.01	96.04	10,471.78	97.34
15	144,074.64	128,460.51	15,614.13	89.16	10,492.70	92.72
16	142,309.58	128,672.90	13,636.68	90.42	9,163.85	93.56
17	429,346.19	419,273.61	10,072.58	97.65	6,768.77	98.42
18	24,977.33	22,579.69	2,397.64	90.40	1,611.21	93.55
20	964,229.60	848,977.79	115,251.81	88.05	56,628.03	94.13
22	340,605.50	303,537.99	37,067.51	89.12	20,600.71	93.95
23	119,807.95	105,753.67	14,054.28	88.27	9,444.48	92.12
24	266,317.23	252,495.30	13,821.93	94.81	9,288.34	96.51
25	240,479.39	235,211.97	5,267.42	97.81	3,539.71	98.53
26	118,030.09	106,803.99	11,226.10	90.46	7,574.18	93.59
27	77,239.23	69,847.48	7,391.80	90.43	4,967.29	93.57
28	79,438.50	61,878.60	17,559.90	77.90	11,621.60	85.38
29	408,140.46	374,990.39	33,150.07	91.88	18,795.55	95.40
31	582,502.71	545,276.54	37,226.17	93.61	20,673.32	96.45
32	39,652.23	30,544.96	9,107.27	77.03	6,120.09	84.57
33	42,653.86	38,079.60	4,574.26	89.28	3,073.90	92.79
34	38,247.55	31,501.36	6,746.19	82.36	4,533.44	88.15
35	44,645.99	43,560.19	1,085.80	97.57	729.66	98.37
36	40,113.11	32,853.46	7,259.65	81.90	4,878.48	87.84
37	33,379.05	31,539.79	1,839.26	94.49	1,235.98	96.30
TOTALS	\$5,793,815.17	\$5,312,111.49	\$481,703.68	91.69	\$281,837.72	95.14

For nine of the 32 carriers, the accountant submitted a rate base of \$1,268,630 based on the original investment less depreciation. The rate of return, as calculated by the witness under the increased rates here sought to be established, would be 8.57 percent after income taxes. The operating ratio for the nine carriers would be 96.07 after provision for income taxes.⁶

The accountant stated that because it was impracticable, if not impossible, accurately to segregate the expenses of the draymen between the tariff and nontariff services they perform he had applied the 10 percent increase, sought in connection with the rates here in issue, to all of the services the carriers render. The anticipated results, he stated, would not be achieved under the petitioner's proposal unless the rates for nontariff services were subjected to like increases. The secretary stated that increased rates for such services as pickup and delivery for common carriers would be sought. He further stated that rates lower than the minimum rates maintained under Section 4015 of the Public Utilities Code would be increased upon their expiration.

Petitioner's secretary stated that consideration had been given to whether any of the draymen were contract carriers which may not increase their rates because of Office of Price Stabilization requirements promulgated under the Defense Production Act of 1950. He said that generally the draymen were common carriers. However,

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The witness also submitted a rate base for the nine carriers based upon the estimated replacement cost of the carriers' properties. This method is not a proper basis upon which to measure the rate of return in proceedings of this kind. The nine carriers were identified by the witness as Carriers Nos. 12, 14, 17, 20, 22, 24, 25, 29 and 31. Operating results of these carriers are shown in Tables Nos. 1 and 2 hereof.

there may be some contract carrier operations which they were not aware of. In such cases, he claimed, it is up to the contract carriers to petition the Office of Price Stabilization for such authority as may be necessary under a rate increase.

As heretofore stated, petitioner seeks a 10 percent interim increase in the rates and charges established for transportation within San Francisco. The increase, it is claimed, is necessary to offset additional labor costs which have arisen since the last rate increase. Also, it is necessary to provide the carriers with a sufficient margin between revenues and expenses to enable them as a group to achieve an operating ratio of 95.14 percent after taxes. However, here as in the May rate proceeding the extent to which the present rates may be deficient as reasonable minimum rates has not been shown. Nor does this record conclusively show why the anticipated results of the last increase in minimum rates is not being achieved. The additional cost of the labor increases experienced since the last rate adjustment would have amounted to approximately \$170,000 for the 8-month period. This amount represents only 3.32 percent of the carrier's expenses.

The record is clear that the needs of the carriers cannot be met through repeated horizontal increases. Indeed increases of this nature, for a group of carriers such as we have here, can only tend to result in a maladjustment of the rate scale. In no wise does it produce a stabilized rate structure reflective of the costs of transportation or other rate-making elements for any particular commodity or for any class of traffic. A rate structure not founded upon fundamental rate-making principles is injurious to both carriers and shippers alike. It should be apparent to the carriers by now that a percentage increase of the same level on all commodities and classes of traffic is not the solution to the adverse financial condition with which certain of the operators find themselves.

Rate and cost studies, in the investigation phase of this proceeding, are now in progress by petitioner and by members of the Commission's staff. Hearings for the purpose of receiving such evidence will be scheduled at the earliest practicable date. Meanwhile, however, the conclusion is inescapable that the carriers are faced with a critical situation. They are required to meet additional labor costs immediately.

Many of the carriers, according to the record, do not have the financial reserves with which to meet this added burden. Undesirable as horizontal increases are, we must nevertheless again use this method in order to provide the revenues to meet the added labor expense. We will, therefore, authorize, except to the extent indicated below, an increase of approximately 4 percent in the rates here in issue. This will offset the added labor costs but no more.

No increase will be authorized in the rates and charges for handling pool shipments. An adjustment in these rates is not a matter of local concern, but instead, should be pursued on a San Francisco Bay area basis.

Contract carriers will be exempt from the increased rates established herein to the extent that they may be precluded from assessing such rates under the requirements of the Office of Price Stabilization promulgated under the Defense Production Act of 1950.

Upon consideration of all the facts and circumstances of record, we are of the opinion and hereby find that modification of the existing rates, rules and regulations is justified to the extent hereinbefore indicated and as provided by the order herein.

O R D E R

Based upon evidence of record and on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that City Carriers' Tariff No. 1-A (Appendix "A" of Decision No. 41363, as amended) be and it is hereby further amended by incorporating therein to become effective November 15, 1952, Supplement No. 4 cancels Supplement No. 3, attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that carriers subject to the increased charges provided for in the preceding ordering paragraph that are also motor carriers other than common carriers and therefore precluded from charging the higher charges provided for by that paragraph under requirements of the Office of Price Stabilization be and they are hereby exempted to that extent from observance of the aforesaid higher charges.

IT IS HEREBY FURTHER ORDERED that, except to the extent provided in the preceding ordering paragraph, the petition of the Draymen's Association of San Francisco, filed September 19, 1952, in this proceeding, be and it is hereby denied.

The effective date of this order shall be November 15, 1952.

Dated at San Francisco, California, this 5th day of November, 1952.

R. T. [Signature]
 President

Justice F. [Signature]

Harold P. [Signature]

[Signature]

Commissioners

SPECIAL INCREASE SUPPLEMENT

SUPPLEMENT NO. 4
(Cancels Supplement No. 3)
(Supplement No. 4 Contains All Changes)
TO
CITY CARRIERS' TARIFF NO. 1-A
NAMING
MINIMUM RATES, RULES AND REGULATIONS
FOR THE
TRANSPORTATION OF PROPERTY OVER
THE PUBLIC HIGHWAYS
OF THE
CITY AND COUNTY OF SAN FRANCISCO
BY
CITY CARRIERS

(1) ◇ APPLICATION OF SURCHARGE

(a) Except as provided in paragraph (b) below, compute the amount of charges in accordance with the rates, rules and regulations of the tariff. Increase the amount so computed by sixteen (16) percent, except as to rates and charges provided in Items Nos. 425 and 570 series. Increase the amount computed under Items Nos. 425 and 570 series by four (4) percent. Fractions will be disposed of as provided in paragraph (c) below.

(b) The provisions of paragraph (a) will not apply to rates and charges computed in accordance with Items Nos. 220, 222 and 580 series.

(c) Fractions of less than one-half cent shall be dropped; fractions of one-half cent or greater shall be increased to one cent.

◇ Increase, Decision No. 47910

(1) Expires with May 14, 1953, unless sooner canceled, changed or extended.

EFFECTIVE NOVEMBER 15, 1952.

Issued by the
Public Utilities Commission of the State of California
State Building, Civic Center
San Francisco, California